IMPROPER AND EXTRAVAGANT MANAGEMENT OF A NUMBER OF CANADIAN LIFE INSURANCE COMPANIES.

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BY

J. J. HARPELL.

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CITY OF TORONTO, COUNTY
OF YORK, TO WIT:

IN THE MATTER OF The North American Life Assurance Company.

I, THOMAS BENGOUGH, of the City of Toronto, in the County of York, Chartered Stenographic Reporter, DO SOLEMNLY DECLARE:

1. That I attended the Annual Meeting of the North American Life Assurance Company, held at the Head Office of the Company, King Street West, Toronto, on Thursday, January 25th, 1906.

2. That I took a full Stenographic Report of the proceedings of said Meeting.

3. That hereto annexed is a printed report made from my stenographic notes of said Meeting, numbered pages 14 to 32, consecutively.

4. That said printed pages contain a full and correct report of all that was said and done at said Annual Meeting of the North American Life Assurance Company in reference to the questions asked by Mr. Harpell.

5. That the statement of Mr. Blaikie, the President of said Company, as printed within quotation marks on pages 24 to 28 inclusive, was furnished me in typewritten form by Mr. Goldman, Managing Director of said Company, and is printed from said typewritten copy.

AND I MAKE this solemn Declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the "Canada Evidence Act, 1893."

DECLARED before me this 8th
day of February, 1906.

(Signed) JOHN BRUCE,
Commissioner, Etc.

(Signed) THOMAS BENGOUGH.

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Improper and Extravagant Management

OF A NUMBER OF

Canadian Life Insurance Companies

BY J. J. HARPELL.

In face of the report that has been given to the public of what took place at the Annual Meeting of the North American Life, I am exceedingly glad, both for the sake of the truth and for the sake of my own reputation, that I anticipated what would happen, and took every precaution to protect the public and myself against it. Through the kindness of the Hon. Sir L. H. Davies, Judge of the Supreme Court of Canada, who is a shareholder in the North American Life and who gave the necessary proxy for the purpose, I was able to have Mr. Thomas Bengough, a court stenographer present, who took a complete and verbatim report of all that was said and done at that meeting. Mr. Bengough's report is here with given in full over his affidavit, and I will leave it to the readers of this pamphlet to say whether or not my questions have been answered.

As a reply to those who have been endeavouring to cloud the main issue by accusing me of being actuated by motives other than an honest desire to put a stop to the irregularities and bring about a reform in the management of what is undoubtedly one of Canada's greatest trusts, viz., Canadian Life Insurance, it may be worth while to rehearse the course I have taken so far.

On receipt of the Ottawa Blue Book, as it is called, or the official Government Report on the affairs, for 1904, of all Insurance Companies operating in Canada, which report was not ready for distribution until some time in November last, I took the trouble to examine it much more thoroughly than I had the reports of any previous years. This I did because of the revelations that have been made in American companies and because of the increasing suspicion that the affairs of a number of our Canadian companies were not what the Managements would have

the people believe they were. I had not gone far before I did discover, what seemed to me, evidence of grave irregularities. I went over these questionable features again and again studying them very carefully in the [illegible]ts, covering a number of years, and comparing them with the requirements of the Insurance Act and with the provisions of the Companies' Charters. I next submitted a number of the irregularities I had found in connection with the North American Life to Mr. L. Goldman, the Managing Director of that Company, and asked him for an explanation of them. My reason for choosing the North American Life in particular was because, in that Company I have the largest interest, both from a point of my own investment and also because of the number of people who have placed their insurance there on my recommendation. Mr. Goldman was unable to give me a satisfactory reply. In fact what he had to say only tended to confirm my suspicions that at least gross extravagance and careless management, if not transactions of a more serious nature, existed in connection with the affairs of the North American Life. After finally receiving from Mr. Goldman a reply to the effect that I had from him all the information I might expect, I submitted the same matters to Mr. Fitzgerald, the Insurance Inspector at Ottawa. At the end of a week, not having a reply from Mr. Fitzgerald, I called on him. He admitted that a number of the points contained in my letter were irregularities but at the same time explained that he had done his duty when he published the complete report and that it was now the duty of the policy holders to take whatever action was necessary. He admitted that he had not brought these to the attention of the Minister of Finance and refused to give me a written reply to my letter.

There was now only one of two things for me to do: to drop the matter altogether, or to make public what I had discovered. I knew my duty as a citizen too well to feel that I would be doing it by taking the former course, notwithstanding that by taking the latter one I would be facing a situation where the odds, in the matter of the sinues of war, were very much against me and that it would require much of my time and means, either of which I could ill afford to give, particularly at this time in my life, when I had just left off my student's gown. But there was only one right thing for me to do, and accordingly on the 20th of January I sent a letter to the press in various parts of Canada, pointing out the condition in a number of our Canadian Life Insurance Companies and urging the policyholders to take some action in the direction of bringing about an investigaton. After I had sent this letter I learned that the Annual Meeting of the North American Life was to be held on the 25th of January, instead of on the date authorized in its charter, viz., the first Wednesday in February. On the 23rd I sent a second letter to the press announcing

that as a policy-holder I intended to be present at that meeting and giving ten questions which I intended to submit to the Directors for their reply. Again, on the 24th in two interviews with the Secretary of the North American Life, Mr. W. B. Taylor, I gave him a full explanation of these questions, so that the management would have no excuse if they did not come to the meeting prepared to give satisfactory answers.

A complete account of what took place at the Annual Meeting is given in this pamphlet.

After the meeting was over Mr. Goldman came to me with the assurance that he had no personal feeling against me. I replied that there was no occasion nor never had been for any personal feeling, if he would treat the matter in a business-like way. All I wanted were satisfactory answers to the questions I had asked, if such could be given. I asked him if he would let me see the Company's cash book for 1902. He replied that he could not say just then that he would, but that if I would come to his office on the following Monday he would see. On Monday I called at the office of the North American Life and Mr. Goldman very kindly showed and explained everything that I asked him about. I am therefore now in a position to answer a number of my own questions, and will take them up and examine them in the light of Mr. Blakie's reply and where he has not sufficiently dealth with them will give the full answer.

When Mr. Blaikie says "The statements showing the position from time to time have been carefully presented to the policy-holders, with the view solely of exhibiting to them the proper position of the Company," and again when he says that "nothing has been misrepresented," I suppose he feels he is replying to my first question. But any policy-holder who wants to satisfy himself that he has not correctly answered it, let him turn to page 4 of the Report which the Company sent out last year to its policy-holders. There he will find under the heading 'Statement of the North American Life Assurance Company for the financial year ended December 31st 1903' the total disbursements for that year given as $937,877.93. Then turn to the Government Report for 1904, and on page 298, under the heading "Statement for the year ending December 31st, 1904," find this same item for the same year given as $962,542.93. Now this statement in the Government Report has been given under oath as the correct statement. In face of this can Mr. Blakie honestly say that the affairs of the Company have not been misrepresented to the policy-holders? Or again, in face of Mr. Blakie's own admission that the company has what he calls silent assets that do not appear in the report to either Policy-holders or Government, can he honestly say that the affairs of the Company have not been misrepresented to the policy

"A reference to the Government report," says Mr. Blakie, "will show that in the case of nearly every Company the department will take a different view than does the Company regarding certain items, hence it is seldom that the Government Report when published will agree with the different Companies' own statements. Yet the result is exactly the same as to the amount of Assets, the Liabilities and the Surplus." To this I reply that "the Assets, the Liabilities and the Surplus" are the same when the Company make them so. As may be seen from Mr. Bengough's report the 3rd question that I asked was this "Why were the stocks and debenture holdings of the Company written up in 1904 to the extent of $24,665?" To get at the proper answer to this question I will ask my readers to subtract the total disbursements for the year 1904, as given in the statement which was sent to the policy holders, from the amount of the same item which appears in the Government Report and they will find that the difference is exactly $24,665. Therefore I think that the public will agree with me when I say that the correct answer to my third question would be,—The Stocks and Debenture holdings of the Company were written up in 1904 to the extent of $24,665, for the purpose of filling in the hole in the assets of the Company made by the item of $24,665, which was left out of the statement to the policy-holders, but which Mr. Goldman says the Inspector allowed him to include in the statement to the Government, and also so that Mr. Blakie might say that although the statements may differ as regards the items "yet the result is exactly the same as to the amount of assets, the liabilities and the surplus."

No doubt it has occurred to many who have been following this discussion that for the Company to keep out of the receipts some $30,000 in one year, as I have pointed out in my ninth question was done in 1902, would be a difficult thing to do without being detected. But I find from the books of the Company that this item is not $30,000 but over $44,800 and that it has been concealed by writing up individual blocks of stocks in the lists of their assets and not taking into account this writing-up processes in their "Synopsis of Ledger Accounts."

Furthermore, I find that this item, which is termed in the books of the Company "written off agents' advances," amounted in 1902 to over $44,800, in 1903 to over $30,000, and in 1904 to $24,665, and that this item, in the accounts of the Company, in no two years, is dealt with in the same way. Does this not, to say the least of it, look shady?

"At the end of 1904," says Mr. Blakie, "the Company's securities had appreciated in excess of the value at which they were entered on the Company's books to the extent of $103,672.55 (according to their then market value), for which credit might have been taken in the Company's accounts, but the appreciation not having been realized by actual sale of the securities, the conservative course was adopted, and credit was taken for only $24,665 of such appreciation in value, representing the amount which had been credited as advances to agents. The difference, however, in such appreciations, being $79,007.55, was shown in the Directors' report submitted to the Annual Meeting of the Company.

The same course was taken in 1902, when the Company had a sur-

plus on Stocks and Bonds Account of $62,967.94 in excess of the value of the same as entered in the books of the Company."

Notwithstanding all this the fact remains that I have yet to find an incident where the North American Life has done any writing up of stocks or debentures except where they did so to conceal a disbursement from the public or to make "the result exactly the same as regards the amount of Assets, the Liabilities and the Surplus."

Furthermore, I have yet to find in the Insurance Act the clause which authorizes this writing up process, and if by the term "Ledger value" the Act means the amount which the holdings actually cost, I am inclined to think that Sec. 19, subsection 2, together with Schedule A, which is authorized by this subsection, is sufficient to have justified the Insurance Inspector in prohibiting the Companies from resorting to it. I find that other Companies that have resorted to this writing-up process are the Canada Life and the Imperial Life.

"With respect to expenses," says Mr. Blakie, "this Company is in about the same position as most of other leading Companies in this country—I might say on this Continent—in that owing to excessive competition the expenses of the agency branch of the business has increased. Some few years ago the three large American Companies made a strong bid for business in this country, the result being an addition to the remuneration to agents who would otherwise have left our service." Anticipating that the blame for the excessive expenditure would be placed on the agents, my answer to that was given at the meeting and may be found in Mr. Bengough's report. But since this question of expense is one of vital importance, I will undertake to deal with it more fully, not only as regards the North American Life alone, but also in connection with other leading Companies. For I must say, in all justice to the North American Life, that it is not by a large margin the most expensive of Canadian Companies.

In a paper read before the Insurance Institute of Toronto on November 22nd, 1904, by Mr. P. C. H. Papps, A.I.A., he points out that it cost more to write new business than to manage the old; so that a fair basis for comparison must take into account the relative proportions of new and old business. "The Ottawa Blue Book," says Mr. Papps, "makes no division of expenses into first year and renewal, so some assumption must be made." He then goes on to explain that the most satisfactory method is to remove such items as the Annuity Income and expenses, the outlay on account of investment and the income and expenses pertaining to any Industrial or Thrift Business, if such is written by the Company under consideration, and then "to assume that the ratio of New Expenses to New Premiums will be ten times the ratio of Renewal Expenses to Renewal Premiums." Mr. Papps is an A.I.A., of the British Institute of Actuaries, the present Actuary of the Manufacturers' Life Insurance Company, and until a year or so ago was connected with the Actuarial staff of the Canada Life, so that I think we can assume that his knowledge is and his experience has been such as to recommend his method as the best that can be devised. Let us see how our Canadian Companies compare with one another on this basis.

On this basis I find that the Canada Life in 1904, according to the figures taken from this Company's own sworn statement, and which appear in the Government Report for that year, paid out for expenses so large a sum as 142.4 per cent. of every dollar received on account of

new premiums, and 14.24 per cent. of every dollar received on account of renewal premiums. The next most expensive Company is the Imperial Life, which paid out for expenses 139.8 per cent. of new premium receipts and 13.98 per cent. of renewal premium receipts. The other leading Canadian Companies arrange themselves as follows: Federal Life, 139.6 per cent. of new premium receipts and 13.96 per cent. of renewal premium receipts. Confederation Life, 128.4 per cent. of new premium receipts and 12.84 per cent. of renewal premiums. North American Life, 125 per cent. of new premium receipts and 12.5 per cent. of renewal premiums. Great West, 119.4 per cent. of new premium receipts and 11.94 per cent. of its renewal premium receipts. The Sun Life spent 114.6 per cent. of its new premium receipts and 11.46 per cent. of its renewal premium receipts. The Manufacturers' Life spent 107.7 per cent. of its new premium receipts and 10.77 per cent. of its renewal premium receipts, and the Mutual Life of Canada spent 97 per cent. of its new premium receipts and 9.7 per cent. of its renewal premium receipts.

Let us now see what an unenviable position some of the most expensive of these Canadian Companies hold among the Insurance Companies of the world. In an article by Mr. A. W. Flux, entitled "Insurance and Speculation," which appeared in the last July number of the Journal of the Canadian Bankers' Association, I find these two paragraphs:

"Reference has been made to the possibility of one Company having advantages over others in the matter of the expense of conducting its business. Now, if the comparison to be made is one between the gigantic insurance corporations of America and the institutions conducting business in the old world, it certainly works out unfavorably for the former. To illustrate the matter on a sufficiently wide scale, take the figures of a standard German encyclopedia relating to the year 1898. We find the following percentage of expenses to income:

44 German Companies	.....Expenses	11.86	per cent. of income.
16 Austrian Companies	.....Expenses	17.8	per cent. of income.
6 Swiss Companies	.....Expenses	9.0	per cent. of income.
80 English Companies	.....Expenses	9.5	per cent. of income.
36 American Companies	....Expenses	22.7	per cent. of income.

The English figure stands somewhat above ordinary level. Twenty years ago it was reported as 8.9 per cent. In the latest return it stands at 9.1 per cent. for the ordinary, as distinguished from the industrial branch of the business.

And the English Companies have not been exactly stagnant in the last twenty years. A comparison of the latest figures with those of the first blue book on the subject twenty-three years ago shows that premium income, funds, expenses have all about doubled, no very bad record!"

On the same basis I find that in the year 1898, Canadian Companies paid out for expenses 23.9 per cent. of their income or over one per cent. more than did the American Companies, which according to the above were the most expensive. Therefore the Canadian Companies are the most expensive of those of any country in the world, and the Companies which are the most expensive of our Canadian Companies undoubtedly occupy a most unenviable position. Furthermore, according to Mr. A. W. Flux, the companies in the old country have been gradu-

ally reducing their expense since 1898. But I find that our Canadian Companies as a group have been working the other way, until in 1904 the percentage of expenses to income was 26.5 per cent.

My fourth question was "What has become of the profits from the sale of securities during the year 1903 and 1904 and what was the amount of these profits?" To this Mr. Blakie replied, we had a loss in our real estate account and we were able to make it up "by resorting to the profits realized from the sale of securities," which I find from the books of the Company, in 1904, amounted to over $15,000. How different is this from what the Management of the Company would have the policyholders believe previous to this exposure? On page 22 of the report of the Annual Meeting, held in January, 1905, the management distinctly says when dealing with their sales of real estate for 1904, "that the Company has lost nothing." In face of this can Mr. Blakie honestly say that "nothing has been misrepresented"? This is exactly the irregularity that was discovered for the first time in connection with the affairs of the American Companies, when the Legislative Investigating Committee found that the Equitable Life and the New York Life had been using the profits from the sale of securities to conceal the reduction of book values of real estate, or losses, as Charles E. Hughes, Counsel to the Committee, called them. Furthermore, taking into account this one item of profit, $15,000, which was used in 1904 to offset a loss in real estate, the North American Life in the last ten years realized less than 1⅝ per cent. from their investments in real estate, notwithstanding that the majority of it was bought during the nineties when property was low and sold during the last few years when it was high.

The fifth question is based on the following clauses of the Insurance Act, which, to my mind, are as clear as anything could be and certainly sufficiently clear for anyone who had any desire to observe its intention. Subsection 4 of Section 50 of the Insurance Act names the various classes of United States securities which may be dealt in by Canadian Companies and concludes thus: "But in such event the amount so invested or deposited under the authority of the next preceding subsection, shall not at any time exceed by over ten per cent. the said reserve or reinsurance value of its policies in force in the United States, such reserve to be calculated upon the basis prescribed in this Act." This clause is repeated in sub-section 5 of this section of the Act, which subsection deals with the investments outside of Canada but in the United Kingdom, and it also occurs in subsection 6, which deals with investments other than those in Canada, United States and the United Kingdom. In Mr. Bengough's account of the Annual Meeting of the North American Life will be found the extent to which this feature of the Act has been violated. Other Companies which have evidently disregarded this feature of the Act are the Confederation Life, the Imperial Life, Federal Life and the Sun Life.

The irregularity which I desired to expose by question six has been admitted by Mr. Blakie when he confesses that they did receive bonus stock with some of their bond purchases and that they are holding it as a silent asset. This principle of keeping assets out of the Government Report is contrary to either the spirit or letter of the Insurance Act. As regards the amount of the stock bonus, which the Management of the North American Life confesses to have received with their purchases of the bonds of the Chicago & Milwaukee Electric Railway, I cannot but think that it is a very small one in face of the private infor-

mation I have received regarding the flotation of this company. If my information is correct, this stock bonus should have been nearly ten times the amount they confess to have received, in view of the price which was paid for the bonds. And just here, I want to say, in contradiction to Mr. H. C. Osborne, when he claims that he gave a special bargain to the North American Life by selling them $200,000 of these bonds for the sum of $200,000, I find that during the same year the Sun Life bought $250,000 of the same bonds for $237,562.31. Other Companies that have made purchases of bonds of a kind and at a price that would indicate that they received stock bonuses, which have not appeared in the Government Report are, the Canada Life, the Imperial Life and the Manufacturers' Life. Of course, since I began my attack the Sun Life has confessed to having received stock bonuses that they did not report before.

Now let us see what effect this stock bonus business has on the bond holdings of the Companies. To illustrate I will take a few examples from the holdings of a company, which was one of the first to invest in this class of security, and which is now one of the most extensive dealers in it, viz., the Sun Life of Montreal. About the first investment by this Company in this class of security was made in 1896 when they paid $100,000 for $100,000 of the debenture of the Cornwall Electric Street Railway Company. They carried this holding until 1902, during which time it depreciated in value according to the Government Report to $75,000. In the Government Report for 1902 this block of bonds do not appear in the Sun Life's statement, but there does appear a block of $100,000 of the stock of the Cornwall Electric Street Railway Company for which, according to the Government Report, the Company paid $100,000, and which, according to the same report, was worth only $67,500. This block of stock does not appear in the Government Report after 1903. Or again, in 1902, the Sun Life bought $200,000 of the preferred stock of the Georgia Railway and Electric Company, for which they paid $180,192.50. By the end of 1903 this block had depreciated until its market value, according to the Government Report, was only $152,000. In the Report for 1904 there appears for the first time a block of $100,000 of the common stock of this company, for which, according to the Government Report, the Sun Life paid $45,000. In 1902 this Company also paid $73,050 for a block of the preferred stock of the Havana Electric Railway Company, and according to the last Government Report it is worth only $52,800. This Company has also a block of the bonds of the New Orleans Railway Company, for which they paid $225,020.79, and which, according to the last Government Report, had depreciated so that on the 31st of December, 1904, it was worth only $168,750. Other bond holdings of the Sun Life which have depreciated much below what was paid for them are those of the Columbia, Grove City and the Southwestern Railway Company, the Drayton, Springfield and Urbana Electric Railway Company, the Havana Electric Railway Company, the New Hampshire Traction Company and the Michigan Bell Telephone Company.

As regards my seventh point, I still claim that a loan on collateral in the securities of the Chicago & Milwaukee Electric Railway, under the circumstances, was illegal, no matter whether these securities were stocks or bonds, and the mistake in the Government Report of omitting the word "bonds" was immaterial.

The clause in the Insurance Act which I point out in my eighth question has been violated is contained in subsection 1 of section 50, and is repeated in subsections 4, 5 and 6 of the same section. It is worded as follows: The subsections go on to name the various classes of securities that may be bought or on which money may be loaned by Life Insurance Companies, and conclude with these words "which has earned and paid regular dividends upon its ordinary preferred or guaranteed stocks for the two years next preceding the purchase of such bonds and debentures." Now I do not think that anyone will contend that the bonds of the Electric Development Company of Ontario, and those of the Mexican Heat, Light and Power Company would come within the requirements of this clause during the year 1904. And yet I find that the following Companies bought large blocks of these bonds during that year, the Canada Life, the Imperial Life, the Manufacturers' Life and the Sun Life.

The eleventh point which I raised is in connection with the relations between the North American Life and the Union Life. Mr. Goldman replies that they are not responsible for the Union Life's figures, and Senator Kerr backs him up by saying that neither are they responsible for the Government Report. This reply may mean anything. It may mean that the Insurance Inspector allowed the Union Life to make a statement that was not correct, or it may mean that the statement in the Government Report of the affairs of the North American Life may not be the same as the one which the Company sent to the Government. This is not a satisfactory reply to my question.

"It is also necessary," says Mr. Blaikie, "to provide for losses in operation of the Agency Department, for whilst the greatest care is exercised in securing the best and most reliable and trustworthy men to represent the Company as agents, Mr. Harpell will readily understand from his own case that occasionally we have to deal with agents who do not earn the salaries and expenses which the Company have paid them."

Had it not been for the statements which Mr. Blaikie had already read from his previously prepared reply to my questions, I would have been at a loss to understand how a man of his reputation could so refer to the business which I placed on the books of his Company. I am willing to leave this point to the arbitrament of any one or more fair minded men and I am confident that their verdict will be that the business which I placed on the books of the Company cost the Company less than the same amount of business coming from any other source. I cannot help but feel that the reply which Mr. Blaikie read was not entirely prepared by himself.

In question [illegible] I took the figures directly from the Government Report so that [illegible] I am wrong the report in the Blue Book is not right.

In conclusion Mr. Blaikie and Mr. Goldman make lengthy references to their past, and to the high reputation they have always enjoyed as citizens and business men. But such, I regard, is no answer to my questions. It goes without saying that if their reputation was not of the very best, they would not have been entrusted with the duties of administrating the affairs of one of Canada's most sacred trusts. But now they are being asked to give an account of their stewardship, if they can satisfactorily give this, their reputation is not only [illegible]tained but enhanced. But if they cannot, the sooner it is known the better, not only for the policy-holders of the North American Life, but for the sake of the fair reputation of Canada's financial institutions.

When I undertook to expose the irregularities in connection with Canadian Life Insurance, I decided to ignore any personal references and to keep my attention concentrated on the main issue until an investigation, either judicial or legislative, was ordered; but on account of one incident I feel compelled to make a slight exception to this resolution. In the whole fight so far the one incident that has given me the most pain was when Mr. W. J. Fair, of Kingston, at the Annual Meeting, attempted to dismember my reputation and then to drag the bleeding carcass over my immaculate Alma Mater, Queen's University. To Prof. Dupuis of that institution I owe my mathematical training, from Prof Shortt I have received my principles of economics, to Dr. Watson I owe in a large measure my constructive thinking. And to all these, together with that great and good man, the late Principal Grant, with whom it was my good fortune to be closely associated throughout my college course, I owe, to a very large extent, my ideas of citizenship and manhood, and the inspiration to act in accord with them under every condition. And I would be sorry, exceedingly sorry, to use these gifts in a way that would discredit these gentlemen or Queen's University. Queen's University stands for just those principles that I am endeavoring to inculcate into the management of a number of our Canadian Life Insurance Companies, viz., honesty, integrity and economy. But what right has this man to dictate to me my duties to my Alma Mater or as a citizen or the manner in which I should act as a policy-holder in the North American Life. He is neither a graduate of Queen's University nor a benefactor. He is the local agent for the North American Life at Kingston, and as such collects and enjoys the renewals on the thousands of dollars of premiums, which the Professors and friends of Queen's pay on account of the insurance they carry with his Company, and a very large part of which I placed on his books, when I was attending the University.

In what I had to say to the Directors at the Annual Meeting, I accuse the management of the North American Life of having done much to demoralize the Life Insurance business in Canada, and I stated that I had evidence to prove what I said.

This refers to an effort which I made as far back as 1902 to improve the Life Insurance business in Canada. My experience at that time convinced me that without the co-operation of the management it was hopeless, and I have ever since considered this incident as buried. But now that Mr. Fair makes so bold as to refer to it as an "attempt to destroy his agency in Kingston," and an "attempt to usurp his position there," it is very advisable, for the sake of the truth; for its value as a side light on the management; for the evidence, which it is in itself of the honesty of my motives in this campaign; and for the power which it possesses in itself of extinguishing the halo that Mr. Fair attempted to make for his own head at the Annual Meeting, that this incident should be exhumed. That I have never had an ambition for a district agency, much less that of Mr. Fair's at Kingston, is sufficiently evidenced in my constant refusal to accept any of the many very important ones which Mr. Goldman and the late Mr McCabe, previous to the incident I am about to relate, was pleased to offer me. Mr. Fair's other accusation, viz., that I attempted to destroy his agency in Kingston, is well answered by the incident itself, which is as follows:

In 1899, about the same time that I entered upon the study of

Life Insurance with the intention of making it my life work, I took a commission agency with the North American Life. For the next three years, and while I was a student at the University, I placed a lot of very fine business on the books of that Company, nearly all of which went through Mr. Fair's office. In those days Mr. Goldman was pleased to tell me that I was the best informed agent in Canada, and one of the most successful on his staff. In the summer of 1902, after considerable correspondence on the subject, I received a letter from a friend, who was a Professor in one of the colleges in Toronto, to the effect that if I would come up on the following Monday, he would give me an application for insurance, the premium on which would amount to $34.00. I showed the communication to Mr. Fair, and on the following Saturday he came to Toronto, and tried by every means in his power to get my friend to give him the application; even going to the extent of offering him 40 per cent. rebate on the first premium, and 20 per cent. on all renewals. He did not get the application, however, and when I came to Toronto and learned what had taken place, I could not ask my friend to pay me more than he could get the same policy for, even though my contract would not enable me to be so liberal, had I been so disposed. I appealed to the late Mr. McCabe, who was then Manager of the Company. The application was written in Mr. McCabe's office, and the rebates given by the Company. I then appealed to Mr. McCabe, in the interests of Canadian Life Insurance, to carry out the rules of the Company, which distinctly stated that if an agent was known to rebate he would at once be dismissed. Mr. McCabe asked me to wait until Mr. Goldman, who was away at the time, returned, saying that he had charge of agency matters. Mr. Goldman came back in the meantime, and, not showing disposition to take up the difficulty, I pressed it again until he wrote Mr. Fair and myself to appear at his office on the Tuesday following the date of his letter. At the appointed time I came to Toronto, and learned that Mr. Fair had been up and spent Sunday with Mr. Goldman at his summer home. The Management attempted to make things right with me by offering to pay me the full amount of the rebate, but when I found that it was to be taken out of the funds of the Company I refused to accept. I would accept the amount only if it came from some other source, and only then if it was accompanied by an apology from Mr. Fair and a promise from Mr. McCabe to strictly enforce the Company's rules against rebating thereafter, or I would accept as a satisfactory settlement the dismissal of Mr. W. J. Fair. I remained in Toronto until Thursday afternoon, and, seeing that the Management were not disposed to come to my terms, I told Mr. Goldman that I would not be humbugged any longer, and that if he would not undertake to deal with the matter at once in the way it should be dealt with, I would place it before every agent of the North American Life to be dealt with by them. He at once telegraphed to Mr. Fair to come to Toronto. On the next morning Mr. Fair was at the head office and the difficulty was settled by Mr Fair offering to apologize, by Mr. McCabe and Mr. Goldman undertaking to pay me the amount of the rebate from some other source than out of the funds of the Company, and by Mr. McCabe promising thereafter to enforce the rules of the Company. From what I learned of the Management and their principles at that time, together with my previous three years' experience, I decided to direct my life work along some other lines than that of Life

Insurance. I may add in conclusion of this incident that the only items of the agreement that were carried out were the apology and, so far as I know, the promise to enforce the Company's rules against rebating.

While we are dealing with this feature of the Annual Meeting let us see who the other gentlemen are who took such a prominent part in the debate as policy-holders. Hon. Senator Kerr is the head of the firm of Kerr, Davidson, Patterson and Grant, the Company's solicitors, and, I learn from Mr. Goldman, the man who advised them that they would not be violating the provisions of the Insurance Act by investing so much of the Company's money in American Securities.

Mr. H. C. Osborne is a son of one of the Directors of the Company, and the broker who sold the Company the large blocks of American bonds, which it holds, and whose firm had received the large loan from the North American Life on the collateral of American Securities.

These, together with the fact that the two scrutineers were sons of the President and Managing Director give a fair indication of the kind of policy-holders who were present at the Annual Meeting, which so loudly applauded the remarks of Mr. Blaikie and Mr. Goldman. Very few of any other class of policy-holders knew when or where the meeting was to be held.

In face of the admissions that have been made by Insurance Companies on account of the charges contained in my first letter to the public; in face of the admissions that have been made by the Insurance Inspector; and in face of what this pamphlet contains, which is based on a thorough study of the Government Reports and an examination of the books of the North American Life, I again repeat that Canadian policy-holders should at once move in the direction of bringing about an investigation, after which the Insurance Act should be amended to cover any of the evils discovered and to provide for a much more strict inspection than now exists.

The great evils already discovered, by the admission of the Managements and in other ways, may be summed up as follows: -

1st. Excessive expenditures.

2nd. Withholding assets from the Government Report.

3rd. Writing up assets to conceal expenditures that should appear in the Government Report.

4th. Using the profits from the sale of securities to cover up losses in real estate.

5th. Excessive investments in foreign securities.

6th. Investing large sums of money in new and untried securities.

7th. Not giving to the policy-holders a correct statement of the Company's affairs.

But we have no guarantee that these are all the abuses that exist and we will not be satisfied until a thorough investigation is made.

NORTH AMERICAN LIFE ASSURANCE COMPANY.
ANNUAL MEETING.

Thursday, January 25th, 1906.

Meeting was held at 11 a.m. at the Head Office of the Company, King Street West, Toronto.

MR. LEOPOLD GOLDMAN, Managing Director, having read the notice calling the meeting,

JOHN L. BLAIKIE, President, was voted into the Chair on motion of Mr. Osborne, seconded by Mr. George and Mr. Goldman was requested to act as Secretary.

The Minutes of last meeting were taken as read.

The President called for a reading of the Annual Report.

Mr. Goldman began to read the report, when

MR. J. J. HARPELL said: Mr. Chairman, I intend to ask some questions, to be answered by the Directors of the North American Life. Would you be good enough to let me know at what stage of this meeting I may have the privilege of asking these questions.

PRESIDENT BLAIKIE: Certainly, the time will come and you will be invited.

MR. GOLDMAN then proceeded and read the Annual Report.

On motion, the detailed assets and liabilities were taken as read having been printed and distributed.

Mr. Goldman read the report of the Actuary, which was received with applause.

Mr. Goldman then, after suggestion of the President, read the report of the Auditor, stating that they had spent weeks in examining every security.

The President then read his Annual Address.

PRESIDENT BLAIKIE: Mr Harpell, this is the time if you have any questions to ask, we will be pleased to tell you the whole lot of them.

MR. HARPELL: Mr. Chairman, in the statements of the affairs of this Company which have appeared in the Government Reports, and in the statements that have been submitted at former Annual Meetings, there are a number of items which, if they are in accord with proper management, are not in themselves sufficiently clear. Over a month ago I submitted a number of these to Mr. Goldman, the Managing Director who has not yet given me a satisfactory reply to them. On the 2nd of this month I submitted them to Mr. Fitzgerald, the Insurance Inspector who admitted that a number of them did indicate irregularities in the management of the Company, but he said that if any remedy was to be made it must be brought about by the policy-holders, since it was not in his power to do more than report them as he had done. I, therefore, beg to submit them now to yourself and the other Directors of this Company for your reply.

1. Why has a different statement of receipts and disbursements been submitted to the policy-holders from the one sent to the Government when both are represented as true statements of the Company's affairs on the 31st December of each year?

Just allow me to read you the statement of disbursements which appears in the report of the Annual Meeting last year. It says, at the head of it, "Statement of the North American Life Assurance Company for the financial year ending December 31st, 1904," and it gives the total disbursements as $937,877.93. Then in the Government report I find that this item is $962,542.93; and the Government report also is headed a statement for the year ending December 31st. Now, either the Government report is wrong, or the report submitted to the policy-holders is wrong. I would like an explanation of that point.

PRESIDENT BLAIKIE: Go on with your questions; they will all be

answered at one time. Whatever more you have got to ask, ask it now.

MR. HARPELL: I would rather deal with them individually, because there are a good many of them, and I think if we concentrate our attention we will get over them quicker by dealing with them individually. But I am in your hands.

PRESIDENT BLAIKIE: No, sir, you will have to go on and [illegible] you are finished.

MR. HARPELL: That is the first point. The second point [illegible]

2. Why has it been necessary to pay out for expenses so large a part of the entire premium income as 32.44 per cent. in 1904, 31.[illegible] per cent. in 1903, and 30.18 per cent. in 1902, and why has there been a constant increase in this expenditure.

Now, allow me to say in connection with th[illegible] had, in the reports submitted to-day, an attempt [illegible] his increasing expenditure upon the field force of the Company. This has been done from year to year. Have we had [illegible] that the results in the field did not warrant such a st[illegible] we not very carefully into the expenses, and I have this to offer you as a conclusive proof that the increased expenses are not on account of the extra commissions that have been paid to the agents in the field. I have [illegible] the table of [illegible] 3 per cent. for the [illegible] North American Life and [illegible] from [illegible] respect [illegible] the North American [illegible] Life of Canada. [illegible] years the [illegible] of Canada has [illegible] 70,262.20, while in the same time the North American Life [illegible] $94,[illegible] results the Mutual Life should have [illegible] this, [illegible] and why the difference [illegible] of expenses [illegible] both companies for the [illegible] the Government Report is as follows:

	North American Life.	Mutual Life
Div. to policy-ho'ders	$ 60,000 00	$
Commissions, salaries, etc.	1,866,550 32	1,691,769 [illegible]
Taxes, license, fines and fees	89,242 98	61,831 77
Medical Fees	127,985 15	107,156 75
Advertising	51,486 30	36,857 91
Postage	31,264 01	12,657 42
Printing and stationery	84,896 94	34,768 23
Legal expenses	14,878 37	8,178 23
Office furniture	13,144 38	9,602 84
Property improvement	48,310 07	2,264 71
Written off agents' Adv.	55,575 39	182 45
Incidentals	151,036 43	147,462 82
	$2,594,370 25	$2,042,726 05

This comparison shows that the North American paid out in the way of commissions salaries, etc., about $240,000 more than the Mutual Life. In the item of Taxes, License, Fines and Fees, there is a difference in favor of the Mutual Life of about $28,000; in Medical Fees of about $20,000; in Advertising, $15,000; in Postage, nearly $20,000, although the Mutual Life is in the habit of sending out notices to all its policy-

holders, which is not the custom of the North American Life. In the item of Printing and Stationery the expense of the Mutual Life is $50,000 less than that of the North American; in Legal expenses over $6,000 less, in Office Furniture, about $4,000 less, in Property Improvement about $46,000 less. The item written off agents' balances by the Mutual Life is practically nothing, being only $182.45. The total expenditure of the North American is greater than that of the Mutual Life by over half a million dollars, notwithstanding that the Mutual wrote more business and placed more business on its books. But the point I want to make here in this table is this: In the table there is an item entitled "Commissions, Salaries, etc.," which, besides containing all the salaries paid to the officers, also contains every dollar that goes into the agent's pocket on account of work done for this Company. Suppose we leave this item out entirely, we have this result: The Mutual Life of Canada paid out for all other items the sum of $420,963, while the [illegible] North American Life $727,819.93, or [illegible] Life, or say [illegible] the North American office [illegible] expenses, and I am confident that [illegible] "Commissions, Salaries, etc." [illegible] which is made up in [illegible] officers. Now, I [illegible] this excessive expenditure; the men [illegible]

Furthermore, by their extravagant and [illegible] ment, they have been compelled year [illegible] policy-holders, and in this way ha[illegible] do business in the field. Not only [illegible] management of this Company [illegible] consecutively that be their house [illegible] monopolize their agents' work. When [illegible] I did in 1902 and again in [illegible] the Company, branded as a blackmailer and [illegible] confidential reports to the Life Managers' Association [illegible] him to get employment elsewhere. I was [illegible] insurance me Life work, but when I found that [illegible] of the business, as I did in 1902 [illegible]

3. Under the heading "Synopsis of Ledger A[illegible] 298 of the last Government report, the [illegible] "Items of Stocks Debentures Written Up." Why were the [illegible] bond holdings of this Company written up to this extent? W[illegible] up the book values of the Company's assets is any account [illegible] fluctuation of the market value?

The reason why I am surprised at this is that I find from the [illegible] ous Government report that the excess of the market value of all securities held by the North American Life over their ledger value on the 31st December, 1903, was only $22,701.59, of which the Commercial Cable Company's stock furnish $9,701.93, which stock was sold during the year 1904, and, therefore, does not figure in this written-up item. Therefore, this means that stocks, bonds and debentures, which showed an excess of market value over book value of only $13,000.06 on the 31st of December, 1903, together with new securities bought during 1904, were written up on the 31st of December, 1904, to the extent of $24,665. Now, I have submitted that to Mr. Goldman, and Mr. Goldman's reply to me was, "Oh, but if you subtract the market value of our securities from

the cost value, you will find there is a difference of about $75,000." Mr. Goldman said $100,000; I find it is $79,000. In the same conversation I had with Mr. Goldman, he informed me that during the year 1905 they had sold their Sao Paulo holdings, which gave in the Government Report of 1904 a difference between the market value and the lower value of about $1300, and Mr. Goldman told me that they had realized a profit on that. That was sold during 1905 and will appear in the next Government Report. They realized a profit on that of about $400 he said. I find that, according to the stock reports in 1904, the very least that they could realize on that would be $2650, and they might realize a profit as large as $4562.50. Then in the holdings of the Company I find that the Company holds $400,000 of the bonds of the Chicago & Milwaukee Electric Railway, and they give the market value at $405,000. They paid for them $390,000. The first block of $200,000 was bought in 1902, and they still retain the value of $205,000 for them notwithstanding that the next year they bought a block of $100,000 for $95,000. That should be a fair indication to the Company of the market value of those bonds, when they bought them for ninety-five. The next year they bought another $100,000 for $95,000. So that, according to their own valuation, there is an inflation in the market value there of $75,000 of the total of $79,000, which Mr. Goldman says is applied for writing up those securities to the extent of $24,665.

4. What has become of the profits from the sale of securities during the year 1903 and 1904, and what was the amount of these profits in 1904?

I submitted this to Mr. Goldman. He said that the profits had been some $2000, and that they had been added to their real estate holdings so as to strengthen that item of their assets. But I find, according to the very lowest price which those stocks brought during the year 1904, that they realized a profit of $9,701.53; and if they sold them at the top notch they made a profit of $50,526.53. Now, just there Mr. Goldman says that that was added to the real estate holdings of the Company so as to strengthen that item of their assets. Now, let us see what Mr. Goldman, or the Management of the Company, told us last year. In last year's report I find this: "I intimated last year that there would be a considerable reduction in the real estate which has been under my charge for some time. The statement before you fully confirms this, in that we have made a reduction of nearly $200,000, this having been by means of sales, and I am happy to say that the Company has lost nothing in that connection, in fact, it has done very well indeed, so much so that the balance of real estate held by the Company is of such good value that I would very much like to take it over at the figure at which it stands in the Company's books." That statement was made during the beginning of 1904, and Mr. Goldman tells me in December, 1905, that it required all the profits from the sale of securities to strengthen their holdings in real estate.

Mr. William Hamilton (Toronto agent of N. A. Life): That statement was made in 1905, not 1904.

Mr. Harpell: Yes; I am thankful to be corrected; it was made on the 26th January, 1905, and the statement is for 1904, and it is in the statement of affairs for 1904. Now, let us see. Supposing that they did not lose anything on the real estate holdings in the last ten years, let us see how much they made out of it. I find that in the last ten years

the aggregate holdings in real estate was $3,12[illegible]9.95, and the re[illegible] from that was $134,041.55. During that same te[illegible] I find that the [illegible] estate cost the Company for commissions on [illegible] tion fees, property improvement [illegible] $66,890.45. So if we subtract these from the receipts w[illegible] of $67,151.10, or we have a revenue at the rate of 2.14 [illegible] the real estate holdings during the [illegible] into consideration any losses. I th[illegible] profit from the real estate was wiped out after [illegible] much of a loss to wipe it out.

5. Why was so large a sum as $297,500 invested in foreign securities in 1902 when the Insurance Act forbids the Co[illegible]nies to invest more than $170,338.30; or why was $505,200 invested in 1903 when the Act forbade more than $203,553.90; or why was $1,023,250 invested in 1904, when the Act forbade more than $344,947.90?

Now just in that connection, in order to verify my statements, let me read the section in the Act which refers to that. (Reads Section 50 SS. 4, 5, 6.) I find that of that $1,023,250, about $840,000 is invested in United States securities; so I will read the section in regard to United States securities, which is very similar to the one relating to investments in other places outside of Canada. (Reads sub-section 3.) I would draw attention to this clause: "Which has earned and paid regular dividends on its ordinary preferred or guaranteed stocks for the two years next preceding the purchase of such bonds or debentures." The particular point having reference to the point under discussion is this: "But in such event the amount so invested or lent in the United States, including any sum invested or deposited under the authority of the next preceding sub-section" that is any moneys deposited with the Government "shall not at any time exceed by over ten per cent. the said reserve or re-insurance value of the policies in force in the United States, such reserve to be calculated upon the bases prescribed in this Act." The other clause, with regard to securities outside of Canada and outside the United States, is very similar to that. Now I find that in 1902 the holdings in foreign securities amounted to $297,500, and the entire reserve on the foreign business of the Company was $154,853; so that if you add ten per cent. to that you get $170,338.30, whereas they had invested $297,500. In 1903 I find their holdings were $505,200, and their reserve on the entire foreign business was only $185,049. In 1904 I find the investments of the Company in foreign securities amounted to $1,023,250, and the entire reserves in the foreign business of the Company only $313,589.

6. What has become of the large blocks of bonus stock, which should accompany a number of the bonds that are held by the Company? And why does this stock not appear in the Government Report?

That has already been answered in the Telegram by Mr. Goldman in last evening's issue, so that I may just take up that answer now. In the Insurance Act which governs the Canadian Life Companies and other Companies in Canada there is a particular schedule, "Form A" on page cxxxii., authorized by section 19, ss. 2, on page cxxi. And that schedule has this clause: "Property or assets held by Company, specifying assets per ledger accounts." Then it goes on, and under that heading there is one clause, and it is this: They are supposed to be the par, the market value, of stocks and other securities owned by the Company.

specifying in detail the shares, and par and market value of each kind. The Inspector of Insurance confessed, in his interview with me, that it would be improper for any Company to withhold assets or if they did withhold or did not publish all the assets of the Company, they would by violating that section of the Act. Therefore, there being stocks in the vaults, as Mr. Goldman confesses, and not reporting them would be a violation of the Act.

7. Why has so large a sum as $414,170 been loaned on the security of $500,000 of the stocks of the Chicago & Milwaukee Electric Railway, the market value of which, according to the sworn statement of the Sun Life officials, is only fifty cents on the dollar? And why has the market value of this stock been given in the sworn statement of the North American Life as $500,000?

Mr. Goldman claims, as I find from the papers, that those are bonds and not stocks. Well, if they are bonds, it is not correct in the report. In the report it appears under the heading there, you see the word "stocks" distinctly. There are no bonds at the head of it, it is under the heading "stocks." Wherever you find any bonds below, as in the case of the Mexican Heat, Light & Power Company bonds, they are particularly mentioned; again, Sandwich, Windsor & Amherstburg bonds are particularly mentioned.

MR. GOLDMAN: Our report to the Government, which we have here, and which is as submitted to our policy-holders, states "bonds." It was evidently a mistake of the Printing Department at Ottawa. (Hear, hear and applause.) I will go further and say if there is any policy-holder, a disinterested policy-holder, he can come and look at the books. (Hear, hear and applause.)

MR. HARPELL: Of course Mr. Chairman, I am taking my statement from the Blue Book which was placed in my hands by the Inspector of Insurance, and that, of course, throws the onus for that mistake on the Government Inspection Department.

SENATOR KERR: What is the heading of that paragraph on the top? Is that under "Call Loans"?

MR. HARPELL (reading): "Amount of loans secured by bonds, stocks and other marketable collaterals, namely" and then of course stocks head the list.

SENATOR KERR: The main heading is "Bonds, Stocks" and so on.

A Policy-holder: That could be seen by examining the printed copy as sent to the Government?

MR. HARPELL: I accept Mr. Goldman's statement.

MR. GOLDMAN: Here is a copy of the original. Each year we are required to send to the Department at Ottawa a list of every security we hold, and also a list of every security on which we have call loans. No, it is sent in this form (showing). These are run off by the Government. We even give the name of the person or concern to whom the loan is made. (Reading item as to Chicago & Milwaukee bonds, $500,000.) It is just possible that in correcting the proof of that in going through, that the word "bonds" has been dropped. I don't blame anything for it, but of course any one with experience in financial matters would know at once that there are no $1000 stocks that can be got in this country of that kind (applause) and therefore $500 into $500,000 would indicate $1000 each. Now, they don't usually issue stock of that kind. I am not blaming any one for any criticism, because you know

mistakes will happen to every one, and I am old enough and had experience enough to have a little consideration.

MR. HARPELL: However, that is really the most minor point in my case. The next point, if not sufficiently answered, will prove that such a loan on those stocks was illegal.

SENATOR KERR: On those bonds.

MR. HARPELL: On those bonds. The next point is:

8. Why has the Company invested its funds in or loaned them on the collateral of newly floated securities, when the Act allows it to deal in only such as have earned and paid regular dividends for the two years next preceding the purchase or loan of such stocks or bonds?

I have a statement here of the Chicago & Milwaukee Electric Railway Company. I find that the stock capitalization of the Company is $4,800,000, and the bonds amount to $4,800,000. I have been told that all that stock has been given away with the bonds. However, I only have that from a broker. Nothing has gone into the treasury of the Company on account of the sale of the stock. Now, I find that the North American Life bought those bonds and paid $200,000 for $200,000 of those bonds in the year 1902. At that time the railroad was under construction, as a matter of fact, it is under construction now, it is not completed yet. It began construction in 1899 or 1900, somewhere about there, but according to the statement which is issued by the brokers who at the present time, or a few months previous, had been attempting to sell the remainder of those bonds, on the 5th January, 1905, they still had $300,000 of those bonds to sell. It seems very peculiar that the bonds which the North American Life holds did earn and pay a dividend for the two previous years. I find that the entire earnings, according to this circular, which, of course, will undoubtedly be the very rosiest side, the entire earnings in 1900 were $81,169.11. To pay interest on those bonds would require the sum of $200,000 to pay five per cent. on $4,000,000. In 1901 they only earned $97,156.90, and it would require the sum of $200,000 to pay the dividends on those bonds. Of course outside of that it is difficult to ascertain when you are not allowed to go in and see those bonds and see through whose hands they passed before they came to the Company, and so on. It is difficult to do anything more than simply draw inferences in that way. But to prove my point

MR. OSBORNE: May I speak for a moment? I sold those bonds to the North American Life, and I will not presume to attempt to defend the North American Life from the attacks of this gentleman, who has undertaken to traduce me, as I learned in Ottawa yesterday. Any man who attempts, without knowledge and without proof, to defame another deserves only contempt, and usually gets what he earns. (Hear, hear.) Now, he has stated here in this public meeting and made mis-statements —(hear, hear)—that I will take this opportunity to correct. He has made four mis-statements one after another. In the first instance, he has pointed out that the North American Life purchased those bonds in a certain year at 95 and accrued interest, and argues from that, that that was the market price. The facts are that in 1902 the North American Life purchased $200,000 of those bonds after exhaustive examination not only by Mr. Goldman but by the Directors of the Company. Mr. Goldman made a written report to the Company and he accorded us the courtesy of that report in connection with another life insurance com-

pany; and in consideration of that we said to the North American Life, not to Mr. Goldman, that we would give them the privilege of adding to their holdings at the cost price to us as long as we were offering the bonds, and consequently they did increase their holdings at 95 and interest, while we were selling the bonds in the open market at 101 and interest. (Applause.) Next, in regard to the loans on those securities While I am fully sensible of all the courtesy I have received, and my firm has received, from the North American Life, I wish it to be distinctly understood that in making this loan it was no favor to us. We could have placed those loans in any chartered bank in Toronto. There is no chartered bank in Canada that is not willing to loan on any reasonable margin at five minutes' notice on the bonds of the Chicago & Milwaukee Railway Company. The North American Life had at that time funds to invest. In the year 1904 we had purchased a large amount of those bonds. It suited the purpose of the Company to invest their funds on call loans. We borrowed $414,000 in the aggregate on the security of $500,000, the Company having a margin of $80,000, and those loans were paid in due course in the usual course of business. The fact is that time and again I asked the North American to relieve $50,000 on the bonds that we had sold, and they said: "Don't disturb them, because we have something else in view: leave them for a month or two longer." It was absolutely no favor to us that we should have those loans, which were acceptable in any chartered bank in the Dominion of Canada. With regard to your statement, Mr. Harpell, that the stock was given away with the bonds, that is another instance of your absolute lack of information. The stock represents per share over $30 cash invested, and you say it is worth about $50 a share to-day; but with the exception of the North American Life and two other purchasers who received a very small stock bonus, there was never any stock given away to anybody with the bonds. Lastly, with regard to your extraordinary and ridiculous statement that in the year 1902 there were $4,800,000 bonds and the net earnings of the Company were only $80,000, if you knew anything about it you would know that this Company has 125 miles of track that has been in construction, extending between Chicago and Milwaukee during the past three years, and at that time the interest on the bonds then issued was less than half the net earnings, and there has been no time when those bonds have been increased from time to time, that the net earnings have not been at least $100,000 to $150,000 in excess of the bond interest. (Hear, hear and applause.)

Mr. Harpell: Mr. Chairman, in support of my contention, permit me to give another instance which I think will be conclusive. The Act, as I said before, forbids the loaning of the Company's money on stocks or bonds which did not earn and pay a dividend for the two years previous to the loan or purchase. I find that for the same loan there has been $4200 of the stock of the Mexican Heat, Light & Power Company. Any gentleman in the room knows that no dividend has yet been paid on that stock, and yet that stock is given there as part of the collateral for the loan. I think that proves my point conclusively.

Mr. Hilton (Barrister): As a policy-holder, I would like to ask if some other policy-holders will not have an opportunity to speak, and I wish to ask the speaker how much time he purposes occupying?

Mr. Harpell: Only a few more minutes. I am just about through. My ninth point is:

What has become of the difference between the receipts and disbursements, which has evidently disappeared from the Government Report of 1902?

I find that the income for 1902 (I have the items here taken very carefully from the Government Report) amounted to $1,556,539.18, and the disbursements of the Company for the year, according to the same report, were $1,521,347.90, leaving a balance of about $35,000. Then I find another item as written down (at least it appears very much as written down item) it amounts only to $2,499.89. That leaves a difference between the receipts and disbursements of $32,682.39, which is not accounted for in the Government Report. My tenth point is:

10. Why has the North American Life paid only about $120,000 to policy-holders for the surrender of $3,500,000 of insurance when another Company working under very similar conditions has paid over five times this amount for the surrender of less than $3,200,000 of insurance?

I have the exact figures here. I will give them if required. My point is that the North American Life has paid less than one-fifth for the surrender of its policies. That is, in the case of a man finding it necessary to drop his policy and take the cash surrender value, the North American Life for the last ten years has paid less than one-fifth what the Mutual Life of Canada has paid.

SENATOR KERR: I suppose the amount that is paid for surrender value depends largely on the character of the policy and the number of years it has run?

MR. HARPELL: Of course the basis of life insurance business is average, and when you take ten years——

SENATOR KERR: I am not talking on the average; on the whole it depends on the nature of a policy. One kind of policy carries a larger amount of surrender value than another, and one also is longer in force and has earned more.

MR. GOLDMAN: The other Company being much older.

MR. HARPELL: In regard to that, my report here covers ten years beginning with 1894, and at that time the North American Life had only $2,500,000 less insurance than the Mutual Life of Canada. The Mutual Life was chartered in 1879 and the North American in 1881, so that I find from every point of view there are no two companies in Canada that are more analogous in every respect in their classes of policy.

MR. GOLDMAN: I know you don't want to wilfully mislead on that point, but if you will look at the heading of the Mutual Life of Waterloo (that was formerly the Ontario Mutual) you will find you are wrong as to the date. Just look at the heading there.

SENATOR KERR: Apart from that, if the Mutual Life policies were exactly the same kind and age, and had been receiving the same premium, and there was the same reserve for them, it would be a case to compare with. Without that, the comparison is absolutely absurd.

MR. GOLDMAN: Look at the date when the Company commenced business.

MR. HARPELL: It commenced business in Canada in 1870. (Applause.)

MR. GOLDMAN: Gentlemen, I don't want any feeling manifested, and I am quite satisfied that the speaker did not wilfully mislead, because while he has a fair knowledge of the business it does not neces-

sarily follow that in details of that kind he knows as much as I do. That Company was originally the Ontario Mutual: an Ontario corporation, and I think in 1879, or thereabouts, it became a Dominion corporation by being entitled to do business right through the whole Dominion; hence his reasonable mistake. (Applause.)

MR. HARPELL: I thank you, Mr. Goldman, for your explanation of that point.

PRESIDENT BLAIKIE: I hope you are nearly finished.

MR. HARPELL: There is just one point. It is with regard to the Union Life. I find——

SENATOR KERR: Don't let us discuss it. The Annual Meeting is not taking place now.

MR. GOLDMAN: You need not worry yourself about the Union Life. Mr. Blaikie will tell you all about it in a moment if you want to know. We issued some policies on the monthly plan at one time. The National Agency Company was formed by Mr. Evans. He desired to take charge of them. We let him have them. Subsequently the Union Life was formed, and by agreement carefully made with the late Managing Director, Mr. McCabe, they took over that business on the understanding that they would deposit with us their reserve at the end of each year so long as those policies were in force. Under that agreement, as those policies dropped out, we have to give them back the reserve, or some portion that we may retain. That is on our records. There is no mystery about it. There is nothing in that. We have no alliance with them at all.

MR. HARPELL: The point I was wanting to make is this: I find that the amount due the Union Life by the North American Life in the Union Life's assets in 1904 is different from the amount in the liabilities of the North American Life which they owe the Union Life.

MR. GOLDMAN: We are not responsible for their statement.

SENATOR KERR: Nor for that book either

MR. GOLDMAN: Nor for that book. That is not our report. Here is our report for 1905. Holding up report.) We are not responsible for what is published.

MR. HARPELL: That was all I had to say. Thank you.

PRESIDENT BLAIKIE, who was received with applause, said:

It is very wonderful how figures can be twisted round and round and made to do anything almost. Now, gentlemen, instead of attempting to answer those enquiries in an off-hand way, I think it is much safer for me to have this put in writing, and therefore I beg to say:

MR. BLAIKIE'S STATEMENT.

"A criticism of our Company has appeared in some of the papers, and, therefore, I feel it due to the policy-holders to give you a candid explanation connected therewith." We have not only had it in the papers now, but we have had it in our hearing to-day.

"In the first place, I can assure the policy-holders that there has not been either improper expenditures or gross extravagance, nor has the Company resorted to any questionable methods in order to make the Company appear better than it really is. On the contrary, from my intimate knowledge of its affairs since its inception, I can most positively assert that throughout the whole twenty-five years of the Company's history, the business has been honestly and economically conducted.

"The statements showing the position f[illegible] me to time have been carefully presented to the policy-holders, wit[illegible] view solely of [illegible]xhibit-

ing to them the proper position of the Company. I have always felt a pride in submitting the reports and accounts of the Company; nothing has been misrepresented, and I have good reason to believe the satisfactory results attained have been gratifying to the policy-holders, and I believe, creditable to the Directors and management of the Company.

"A reference to the Government Report will show that in the case of nearly every company, the Department will take a different view than does the company regarding certain items; hence it is seldom that the Government Report, when published, will agree with the different companies' own statements. Yet the result is exactly the same as to the amount of assets, the liabilities and the surplus.

"At the end of 1904 the Company's securities had appreciated in excess of the value at which they were entered on the Company's books to the extent of $103,672.55 (according to their then market value) for which credit might have been taken in the Company's accounts, but the appreciation not having been realized by actual sale of the securities, the conservative course was adopted, and credit was taken for only $24,665 of such appreciation in value, representing the amount which had been credited as advances to agents. The differences, however, in such appreciations being $79,007.55 was shown in the Directors' report submitted to the annual meeting of the Company.

"The same course was taken in 1902, when the Company had a surplus on stocks and bonds account of $62,967.93 in excess of the value of the same as entered on the books of the Company.

"With respect to expenses, this Company is in about the same position as most of the [illegible] companies in this country—I might almost say on this conti[illegible] that, owing to the excessive competition the expense of the agency branch of the business has increased. Some few years ago, the three large American companies made a strong bid for business in this country, the result being an addition to the remuneration to agents who would otherwise have left our services, and an agency department that had cost a large amount of money would have thus been impaired. Be it said to the credit of Canadian companies, that they met this competition, and I am proud to say they held their own, as the results of the business accomplished in this country of late years will show. If we stopped taking new business, we could easily reduce our expenses to a minimum, but having a charter to transact life insurance, it is our duty to have agents to go out into the field to induce people to take the protection offered them. This work cannot be done without agents.

"I will candidly tell you that a few years ago we entered the field for business in the United States, and it has proved more expensive than was expected, but I am glad to tell you that at the beginning of last year we gave a good deal of thought and attention to the subject of reducing expenses there, and we were very successful, but it meant a large reduction in new business from that branch. Our intention is to endeavor to prune the agency expenses this year as far as possible, but we must be careful not to impair our Agency Department in so doing, and the policy-holders may rely on our exercising our best judgment in that respect. It is also necessary to provide for losses in the operation of the Agency Department, for whilst the greatest care is exercised in securing the best and most reliable and trustworthy men to represent the Company as agents, Mr. Harpell will readily understand from his

own case that occasionally we have to deal with agents who do not earn the salaries and expenses which the Company have paid them.

"It is very easy to criticize the subject of expenses—I may say outside the Agency Branch of it, the other expenses of this Company are down to a minimum point. Any man who can show a Company how it can continue to increase its business, live and prosper, and yet make a reduction in the agency expenses, need not waste his time criticizing because he can command one of the largest salaries to be paid in the life insurance business.

"A comparison of expenses has been made with the three large Companies, but no mention is made of the increase in their expense of late years, and this is specially noticeable in the largest of those Companies, the Mutual Life of New York; the ratio of expense to premium income in that Company has almost doubled when compared with former years, whereas I am happy to say that on the whole our expenses have remained at about the same ratio for many years.

"We hope some time for co-operation of all the companies doing business in Canada, and if so, we shall then be able to reduce the cost of securing new business.

"Anyone familiar with the conditions of the city of Toronto from 1890 will remember every financial institution, together with large numbers of individuals, were left with real estate on their hands, especially those like this company, who had been making loans in this city. Now, in the interests of our policy-holders, it was thought necessary that this real estate be carefully handled, otherwise it might have resulted in a loss. In fact, many who had large dealings in that class of security could neither sell nor rent for some years, and were ruined. During the period named, the management gave much thought and attention to this subject, and from year to year had the able assistance of one of our policy-holders, Mr. E. Galley, well-known real estate expert. Each year we took stock of our real estate, as we have done this year, although it is now down to a small amount, and if we found that values had changed, it was our duty to provide for the difference in value. This, I believe, is a wise and conservative way in dealing with our assets.

"I know of no financial institution that presents its statement giving a detailed list of depreciations in values, and showing in detail the profits from other sources to meet it. This is a matter that is invariably left to the executive officers and directors, and, let me say, from my lifelong experience in financial affairs, that it is far better for a company like this to take the conservative course that we have taken in dealing with such changes in value, and we were enabled to do this by resorting to the profits realized from the sale of securities, as we understand, is customary with all companies through the profit and loss account.

"As to the investment in United States securities I am happy to tell you that they are all of a most excellent kind. Reference has been made to the Chicago & Milwaukee Electric Railroad and the bonds of that company held by us. This is not a new enterprise, as you are asked to believe, and the investment was not made until after very careful consideration and investigation by the directors, some of whom have personally investigated this property more than once, and was made under the advice of counsel as to the authority to make it. We confidently believe it is one of the best properties of its kind in the United States. Its net earnings last year were sufficient to pay the interest on

the bonds, and the company has an accumulated surplus of about $300,000. I have no hesitation in saying that this is one of the best bond investments on the market, and I learn that the bonds are not only held by leading institutions in this country, but also in Great Britain and Holland. The statement made that we had a loan on the 'stock' of this company at December 31st, 1904, is absolutely untrue, and enquiry would have elicited the fact that it was a call loan on the five per cent. gold bonds of the road, worth 100 cents on the dollar, as was stated in our report sent to Ottawa for the year 1904.

A Silent Asset.

"In connection with these bonds we received a stock bonus of $40,000, which is so entered on our books, and is registered in the name of the company, but being a non-dividend paying stock at present, is held with our other securities in the trust vaults as a silent asset.

"This company has never been concerned in any underwriting scheme of any kind.

"No officer or director of this company can directly or indirectly borrow of its funds, and this by-law has been strictly adhered to; neither does any director or officer of the company qualify as a director in any institution on the stock owned by this company. We believe we are legally entitled to hold every investment we have, and that they come strictly within the meaning of the Act.

"The reference as to investing in securities, which have not paid regular dividends for the two years next preceding the purchase, we understand, applies only to the bonds of a steam railroad, and as we do not hold any investments of that kind, does not apply to us. I may add that if the Superintendent of Insurance at any time intimated that we had invested in United States securities more than he considered proper, or of a character which he did not approve of, we would, without delay, accede to his view, so far as possible consistently with the interests of the company, as we have always endeavored to have our investments of a non-exceptional character.

"The statement that this company paid only $120,000 to policy-holders for surrender of $3,600,000 of insurance is another incorrect statement. The actual amount paid for such surrender values was $515,584.90.

"I am glad to tell you that the affairs of this company are in a very healthy condition, and the statement which we will place in the hands of each policy-holder in a short time is one we are proud of, because I believe the financial position of the company is unexcelled, and I know that my co-directors and the management have exercised every care in the conduct of the affairs of this company. In the annual report, to be published for the policy-holders, it will contain a detailed list of each security held by the company, as also those loaned thereon.

"At the close of the year the market value of our securities was more than $100,000 in excess of the book value, for which we do not take credit, but if desired, might add to our surplus. As, however, securities will fluctuate from year to year, we do not think it advisable to do so, although we would be quite justified in bringing into our accounts this surplus and appreciation of any of our stocks and bonds from time to time. Of course, in a large number of securities, the values will constantly fluctuate, but taking the whole together, you will observe that we have a very handsome margin, and if valued to-day, at their

marketable value, the surplus would be greater than it was at the close of the year.

"The gratifying feature in the criticism we have heard of this company is the statement that it is one of the best life insurance companies in this country. This I confidently believe."

PRESIDENT BLAIKIE added: Just let me say, gentlemen, that my mind goes away back to-day to the time when the late Honorable Alexander Mackenzie was President of this Company. It was my privilege to sit beside him day after day for years previous to his death. He was a man, as you all know, of the highest honor and integrity, and he had a wonderful knowledge of the affairs of this company down to the very end, even though many days he was so feeble that while sitting beside him I could scarcely hear what he was saying. But although feeble in that way he was very clear up in the top story. He was wonderfully clear. And I can only say this, that from the beginning to the end there has been no graft. Insinuations have been made of something being as they ought not to be: that officers of the company or others should have been making money in some indirect or some hidden way. There is nothing of the kind. (Hear, hear and applause.) I think I am sufficiently well known in this city, after a residence of forty eight years, that whatever this gentleman may choose to say it will not be believed that I am a party to any such conduct. (Hear, hear, and applause.) I feel confident of that. Not only in this city, but throughout the length and breadth of the country my name is pretty well known now; and I am happy to believe and to think that the people have put confidence in me. (Hear, hear and applause.)

MR. GOLDMAN: Mr. Chairman and Gentlemen, it was not my intention to say one single word. I desired to avoid any personalities being brought into this matter, although I regret to say in my twenty-five years' experience in this company I was insulted but twice, cruelly, by this man; but I will not make any personalities. (Hear hear.) All I want to say to you, gentlemen, is this: That in every life insurance company and insurance department there may be differences of opinion as to dealing with certain items. The executive officers may have their views; the department may have theirs. The department are perfectly justified in saying, "We propose to do it this way." Very well, they will do it. This is the return we have submitted to them for 1905. I am free to admit that I have not looked over that, because it does not come under my notice now; it goes through the department; it has not for years, but the gentlemen are quite competent to do it. It is not to be inferred that I have fixed the thing up in some way. Now, the department may make some alterations from this, but I hardly see them when they come here. It is optional with them. They go through our institution. Anyone can; we have nothing to hide. There are the assets. You may make any changes you like in figures, and twist them around, it comes to the same thing in the long run. We have got the assets; we have got a surplus; and we have got the $100,000 appreciation and more to deal with. Other companies, with the exception of a small amount - I have not the list here - they take credit for that, which we don't. In addition to that, they take credit for these special agents' advances. They have got both items in. When we take one item in we have the opportunity of treating the others as we like, and then we are better off than the best of them. Then those companies take in this furniture,

one company up to $10,000. Now, gentlemen, because I don't have the opportunity of meeting the agents here like I do the directors, sometimes they think I waste too much time in trying to make them too familiar with the affairs of the company. Perhaps I do, but I am anxious about it because I am interested. Perhaps you don't know that this company is no hole-and-corner concern. We have here not the ordinary written sheet that you will see in some institutions. We have a book printed with receipts and disbursements and assets for every month of the year, and it goes back years and years. Now, at the end of the year we have four pages left for summarizing—receipts, disbursements, all in detail, assets and liabilities. Now then, take the assets. Anyone can go and look through this, and if he takes any objection to any of the items he sees there, it is explainable, or he can put it in his report if he likes, it doesn't affect our position or assets. On the books here there are red marks, it appears. What are those? Ours is not an ordinary audit, that the men come in and check over, and shake hands and go away. Those gentlemen spend weeks over this, and those two gentlemen did nothing else for the last two weeks of the year. Let me tell you something. There are red marks against this. On the 31st December they go into the cash box and check the cashier, the amount of cash he has got on hand. Then the bank books are presented by those in charge of them. Do they take that? Not exactly. They want a written statement from every bank showing what amount we had to our credit at the end of the year, and see if it agrees with our books. Now, gentlemen, we go further up there. Bonds and debentures. Because we have got them there, do they take that? No, they are doubting Thomases. That is their duty. I want it to protect me as well. I want it to protect my directors, because I can't see to the details of everything; and although there is not a department of the work that I don't know anything about—because I served my apprenticeship all through—still it is a protection to the officers to have them doubting Thomases. We come down to the stocks. Do they take the fact that on our books we have Consumers' Gas Company stock so much, Toronto Electric Light Company's stock so much, and gilt-edged things of that kind? Not exactly. The manager of each of those companies has to send the auditors a certificate saying how many shares stand in our name as owners, or on which we have loans. Then we come to mortgages. It is quite easy to have mortgages, and to have the company put the property in its pocket and pay the interest. It has been done. We have a transfer sheet sent to each mortgagor asking them to state the amount of principal they owe the company and the amount of interest at the end of the year. That comes back in an envelope, not to us, but to the auditors. That goes to the auditors, and they check it. Now as to call loans, every broker or person that has call loans from us has to furnish a similar certificate to our auditors. Gentlemen, nothing can get astray; and I am generous enough to say this, that sometimes people will perhaps in malice and aforethought set down things that upon consideration, knowing me, they wouldn't do. (Hear, hear.) In the affairs of this company I started with the late William McCabe, and I am not going to waste your time by telling the details, but no life insurance company can succeed unless they start as he and I did. We had an office at $600 a year, the office furniture did not cost $400.. We virtually gave our services free the first three years. We had one office boy and our two selves. We never

took a holiday for three years; the only time we rested was on Sunday; and we made it a success. I could not work that way again, but we had to do it. We understood our business; we understood our office. Now this institution has been worked up to success; and as I told Senator Cox the other day, in talking to him about matters, I said, "Senator do you know the trouble with you? You are suffering the penalty of success." This company is suffering the penalty of success; and irrespective of what anyone may say, I tell you, all our agents, that to-day there is not a choicer bit of property, a cleaner proposition in a company, than the North American Life. (Hear, hear and applause.) And if anyone dares to suggest that there has been any graft, or that anyone has got any ill-gotten gains, there may be some libel suits flying around before long. A newspaper man the other day sent me a letter which a writer had sent in for publication, and he said he would not publish it because he did not want to have a libel suit. He said, "Mr. Goldman, I know you. I have had business dealings with you, and I would not publish that, that ill-gotten gains have been taken." I say that anyone who would suggest that about me has either a diseased mind or can be only fit for the lunatic asylum.

MR HARPELL: Mr. President, there is one point that has not been touched on in the reply, that is my point No. 9—"What has become of the difference between the receipts and disbursements, which has evidently disappeared from the Government Report of 1902?"

THE PRESIDENT: You have been given an opportunity of asking the question. You cannot take up the whole time.

MR. HARPELL: I just want to point out that that question has not been answered.

THE PRESIDENT: You should have put it before. We can't go back.

A VOICE: Give him all the rope he wants. Let him hang himself.

W. J. FAIR (Kingston) said: I speak because I happen to know Mr. Harpell a little more than the most of those present. I have listened with a great deal of interest to the remarks made by Mr. Harpell, and also to the replies of our esteemed President and our esteemed Managing Director. No one present that knows anything of the nature of this business, or the nature of business generally, can fail to see the destructive character that permeates Mr. Harpell's statements from beginning to end, and the most satisfactory and constructive character contained in the satisfactory replies that have been given to him. I think that will be generally conceded. Mr. Goldman has wisely suggested that nothing be said here to-day of a personal nature. I feel very much depressed and grieved to think that we have to-day to acknowledge that a Kingstonian, a representative of the old Limestone City, a graduate of Queen's University, and a graduate of my office in Kingston, comes here from Kingston, and makes such a spectacle of himself before such a representative meeting as we have here to-day of policy-holders and members of this company. The press of this country has very foolishly allowed this man to introduce himself as the critic of an institution that has been founded by some of our most illustrious Canadians. Among them may be noted the late Honorable Alexander Mackenzie, ex-Premier of the Dominion; Sir William Meredith, and others of our most illustrious Canadians. I have been for seventeen years connected with this

company. I have attended various Annual Meetings, and always went away inspired with the advice and treatment and methods and the manner of conducting these meetings as you know they are conducted. To-day I feel grieved to think that we have to take credit for a graduate of Queen's University, a B.A., who might have been, if he had been of a normal disposition, a useful citizen. As our Managing Director says, there must be some disease—("order")—to call for this. I have heard one gentleman in Kingston, who is thoroughly qualified to give an opinion upon this man's record, say—

MR. HARPELL: Name him.

MR. FAIR: That he is troubled with a disease, and that is monomania.

MR. HARPELL: I demand that this gentleman name that man who referred to me in that way. It is certainly stabbing in the back to refer to a remark of that kind without giving the author. I am quite willing to stake my reputation on the opinions of me coming from the mouths of prominent Kingston people.

MR. GOLDMAN: Mr. Fair, on behalf of the President, who is very tired now, we are very glad to hear from you, and thank you for your kind expressions, but I have made it a rule not to make any personal references.

MR. FAIR: I am only stating facts. We want to get at the cause of all this.

MR. HARPELL: Name the gentleman.

MR. FAIR: Gentlemen, his record is this, to be brief: He attempted to destroy our agency in Kingston; he attempted to usurp my position there, which is a matter of fact that can be proven. He has been connected with Queen's University in such a way that he has done his best to bring disgrace on the faculty of that institution. He now attempts to bring disgrace on this institution, and as you know he has made a failure of his attempt in this connection. The office in Kingston is stronger, and will be stronger as time goes on, after all his interference; and Queen's University still exists and is recognized as one of our greatest educational institutions. The North American Life will go on after this skirmish that has taken place to-day, greater and broader than ever; and all I can say is that if Mr. Harpell persists in this conduct, in the future he will have to enter a large sphere and destroy both our Provincial and Dominion Cabinet. I mention this to show that we know something of this man's record; that his record has been an absolute failure in the past, and he has brought all this on himself. He started out with a very good endorsement, and he has made an utter failure.

MR. THOMAS MCGILLICUDDY: We came here to listen to facts and not argument. I am very sorry for the hard things said of this young man. I have every confidence in the management. I believe, however, that this young man had the very best intent. He was misled, and I hope there will be no more cruel abuse of him here.

THE PRESIDENT: Hear, hear.

MR. MCGILLICUDDY: Since he made his charges this company has been resting under a cloud, but I am delighted to believe that it is a cloud that has a silver lining. (Hear, hear.) And we are going to

come out all the better for this. I would just suggest this, as one way of restoring the fullest confidence to the policy-holders. I understand that the auditors are now appointed by the Board. If an auditor was elected here by the policy-holders and one by the Board, those two auditors might bring in a joint and unanimous report which would be pouring oil on all the trouble, and nobody would bother whether Mr. Harpell was at Queen's University or anywhere else. We want facts, we don't want abuse.

MR. HARPELL: There has been a personal attack.

THE PRESIDENT: No more now, if you please. Let me tell the gentleman who has just spoken, and all the gentlemen who are here present, that both the auditors are elected by the policy-holders and the guarantors, and there will be a resolution submitted to you in a very few minutes appointing the gentlemen who have acted for the year just past. Better auditors we could not have, they are thoroughly accomplished and very painstaking. They are not under the direction of the Board of Directors at all. They act quite independently of the directors, and that is as it should be.

MR. MCGILLICUDDY: I am glad to hear that. That makes it very clear. I can see daylight. There is no cloud now.

THE PRESIDENT: After all this, I shall move the adoption of the report. You have had discussion enough on it now, I am sure; and let me just say this—I don't know that there is any more important sense in this world than common sense. (Hear, hear.) It is a very valuable commodity, and sometimes it is very hard to find; but let me repeat that there has been good common sense exercised in the conduct of this company, and good common sense and honesty all through will be the guide for every one of the directors and officers of the company.

MR. EDWARD GURNEY (Director): I have great pleasure in seconding the adoption of this report. I have been connected with the company from its inception, and as some of you know, have been connected with a good many institutions, and I don't know of any in all my experience where the same attention is given to detail by directors as is given to detail by the directors of this institution. I believe that this thing is worth a hundred cents in the dollar. (Hear, hear.) I believe that there is nothing to hide; that everything is absolutely clear. Directors are like the rest of you; they may make mistakes in judgment, but as to that, I believe that this concern has as clear a history as any institution in this good city or in this country. (Hera, hear.) I would like to say something in secondoning this motion which I think should be said, and that is that the Directors of this institution don't own it. They have relatively a very small interest in it except as policy-holders, and it is a pity that the public press and men such as we have had here speaking to-day, should forget that an institution of this kind depends in so large degree upon public confidence, and that you are hurting people, you are hurting people's future as well as their present, by the creation of doubt in relation to institutions like this which are sound to the core. (Hear, hear.)

The resolution was then carried adopting the Annual Report, statement of receipts and statements, balance sheets, auditors' report, consulting actuary's report, etc.